2

Amendments to the Specification:

Please replace the paragraph on page 1, lines 10 to 22, with the following rewritten paragraph:

Most business activity on the Internet is limited to publicizing the business opportunity and conducting catalog based sales, but it will rapidly expand to include the negotiations conducted to settle the price of the goods or commodities being traded. These negotiations are currently conducted by human intermediaries through various forms of auctions, bidding systems for awarding contracts, and brokerages. The role of the intermediaries can now be performed by Internet trading applications at a fraction of the cost. Trading on the Internet allows a business to reach a larger number of potential customers and suppliers in a shorter time and a lower cost than possible by other modes of communication, and to settle business transactions with lower cost overhead in a shorter time. Hence the rapid emergence of Internet based trading applications. See Manoj Kumar and Stuart I. Feldman, "Internet Auctions", published on IBM's Web site at http://www.ibm.com/iac/papers/auction_fp.pdf, 1998.

Please replace the paragraph on page 2, lines 1 to 12, with the following rewritten paragraph:

Auctioned or brokered sales are the norm in the business world for negotiating trades of large value. But consumer sales and small scale purchases typically stay with fixed prices, perhaps because of the high overhead cost of using the auction or brokerage method. The new economics of the Internet will make auctions popular in consumer and small business transactions as well. H. G. Lee and T. H. Clark in "Impact of the Electronic Marketplace on Transaction Cost and Market Structure",

International Journal of Electronic Commerce, Vol. 1, No. 1, Fall 1996, at pages 127–149, present economic forces underlying this transition. Several success stories about Internet auctions are cited by Efraim Turban in "Auctions and Bidding on the Internet: An Assessment", *International Journal of Electronic Markets*, Vol. 7, No. 4; ~~http://www.electronicmarkets.org/~~.

Please replace the paragraph on page 4, lines 5 to 17, with the following rewritten paragraph:

Once the bidding phase is over, the bidders with the highest bids get the item being auctioned, but the price they pay could be the same as what they bid or lower. In a Discriminative Auction, also known as "Yankee auction", the winners pay what they bid. In a non- discriminative auction people with winning bids pay the price paid by the winning bidder with lowest bid (this is currently the trend on the internet; sites like ~~www.ebay.com~~ the Ebay site use this methodology for auctioning off multiple items and surprisingly this variation of auction is known as "Dutch auction" but is not a descending price auction). Finally, in an auction for a single item, in a "Vickrey auction", as described by David Vickrey in "Counter Speculation, Auctions, and Competitive Sealed Tenders", *The Journal of Finance*, March 1961, at pages 9–37, the winner pays the price bid by the second highest bidder. "Vickrey auctions" are also referred to as second price sealed bid auctions.

Please replace the paragraph beginning on page 4, line 18, and continuing to page 5, line 1, with the following rewritten paragraph:

Restrictions on bid amount: In all auctions the seller can specify the minimum starting bid. To speed up the bidding process minimum bid increments are often enforced. The bid increment is roughly proportional to the current bid, i.e., they are

smaller for lower bids and larger at higher bids. In the open cry auctions for multiple items (i.e., "Dutch auction") on sites like ~~www.ebay.com~~ <u>the Ebay site</u>, there is no minimum increment. The only thing that is expected from the bidder when he bids is that the bid value should be greater than or equal to the minimum starting bid value. The seller may also be allowed to specify a reserve price, which is a lower limit on price acceptable to seller. The buyers may know that a reserve price exists but they may not know what the reserve price is.

Please replace the paragraph on page 8, lines 3 and 4, with the following rewritten paragraph:

An example of auction bidding rules for multiple items ~~(taken from www.cnet.com)~~ are:

Please replace the paragraph on page 8, lines 22 and 23, with the following rewritten paragraph:

Further examples of such bidding rules may be found at ~~www.yahoo.com~~ <u>the Yahoo site</u>, ~~www.ebay.com~~ <u>the Ebay site</u>, etc.

On page 14, please delete "Having thus described our invention, what we claim as new and desire to secure by Letters Patent is as follows:"